



**REPUBLIC OF ALBANIA
BANK OF ALBANIA**



Summary

**OF FIFTH MEETING OF NATIONAL PAYMENT SYSTEM COMMITTEE
(NPSC)**

held on

Tuesday, October 1st 2019, from 09:00 till 14.30 on the premises of Bank of Albania.

On October 1st 2019, the National Payment Systems Committee (NPSC) held its fifth meeting, chaired by Ms. Luljeta Minxhozi, First Deputy Governor of the Bank of Albania and Chair of this Committee. In addition to its NPSC members, this meeting was also attended from other representatives of the World Bank, financial and payment systems experts, representatives of the banking system and non-bank financial system, as well as representatives from the Directorate General of Taxation, Ernst & Young, National Agency of Information Society (AKSHI) and MasterCard.

The 5th meeting of the NPSC started with the speech of the Governor of the Bank of Albania, Mr. Gent Sejko, and the Minister of Finance and Economy Ms. Anila Denaj. In his speech, the Governor expressed the importance of the role of the National Payment Systems Committee, as an entity of strategic, consultative and communicative character, in the reforms undertaken in the field of payment systems and their impact on the wellbeing of the country's economy. The governor emphasized that the implementation of these reforms necessitates cooperation between public and private market actors. Mr. Sejko focused on the results of the NPSC to date, the most important of which is estimated to be the adoption of the National Retail Payments Strategy, which aims to modernize the market in order to provide a wide range of instruments and payment services in order to meet the needs of their users nationwide. The Governor emphasized that in the framework of this strategy, the Bank of Albania has drafted the draft law "On payment services", which aims at stimulating the use of electronic payment instruments by the public, reducing their costs and consequently reducing the use of physical money (cash) in the economy. At the end of his speech, Governor Sejko underlined that the implementation of these important initiatives requires a well-informed public. To this end, the Bank of Albania deems it necessary to develop a National Strategy for Public Financial Education, which is estimated to bring numerous benefits in expanding financial inclusion and deepening financial education.

The meeting continued with the speech of the Minister of Finance and Economy, Ms. Denaj, who focused on the government's commitment to combating informality in the economy, through various reforms and measures, emphasizing the new Fiscalisation Bill, which was launched for public consultation in August. In her speech, Ms. Denaj emphasized that the main purpose of this project is to combat tax evasion through sound legislation, technological equipment and real-time information obtained for each transaction carried out in the country. "This law aims to establish a new system of billing and monitoring of business transactions in the country, based on a new system of fiscal equipment", said the Minister.

Following the welcoming speeches, the meeting continued with discussions of a technical nature focusing on the latest legal and regulatory developments. This session was opened by the Chair of the NPSC, who reiterated the coordination of efforts between the Bank of Albania through the law "On

payment services" and the Ministry of Finance and Economy through what's known as the "Fiscalization Bill", and addressed by the Director General of Taxation, Ms. Delina Ibrahimaj.

In her address, Ms. Ibrahimaj provided details on the draft law "On the bill and the circulation monitoring system", as well as several other initiatives taken by the tax administration to increase the efficiency of fiscal procedures and inter-institutional and cross-sectoral cooperation in this regard. In this context, the Director General of Taxation emphasized that the establishment of a national register for bank accounts as well as the possibility of access to the credit registry is necessary for the proper functioning of these initiatives. The need to establish a central bank account register was also emphasized by Ms. Najada Xhaxha, representative of the Albanian Association of Banks in this Committee as well as other representatives of banks who brought the experience of other countries in the region where they operate.

In addition, Mr. Holti Banka, a World Bank expert, gave a presentation on the analysis of government payments and the needs for intervention in the context of automation and digitalization. His main findings and recommendations focused on the public institutions payroll system, pensions and social assistance. In this regard, it was emphasized the need to channel these payments through banks and to analyze the possibilities for channeling the payments of the Social Insurance Institution through the payment systems operated by the Bank of Albania, in order to optimize the processes and reduce the use of cash. Also, a necessary intervention in the short to medium term is the operationalization of a centralized payroll for state institutions based on the existing developments of the Ministry of Finance and Economy and the Department of Public Administration.

The need to operationalize National Payroll as well as other national schemes such as Direct Debit were also supported by Ms. Xhaxha and other representatives of the banking system in the context of increasing market efficiency and promoting competition.

In relation to this issue Ms. Nevila Repishti from the National Information Society Agency (AKSHI), explained that AKSHI has also been involved in the public administration payroll operationalization project and is expected to have developments in this area in the short term. In order to increase the efficiency of the use of the *e-Albania* platform the possibility of unifying of the contract signed by the participating institutions was discussed as well as the needs for intervention in this regard.

The first session ended with the presentation of the Head of Supervision Department at the Bank of Albania, Mr. Deniz Deralla, on the legal / regulatory changes needed in opening remote accounts. Mr. Deralla explained that based on the recent revisions of the Anti-Money Laundering and Financing of Terrorism legislation and market developments, the Bank of Albania is working on revising the Bank of Albania's regulatory framework. In support of the initiative of the Bank of Albania, the World Bank expert Ms. Maria Do Ceu Da Silva Pereira introduced the international developments focusing mainly in the European ones regarding the electronic identification of remote clients.

Based on the conclusions drawn from this session Ms. Minxhozi proposed the creation of a working group to support the digitalization and automation of government payments based also on the findings and recommendations identified by the World Bank study.

The 5th meeting of NPSC continued with a session on "Measures needed to reduce cash and informality". In this regard Mr. Marek Rozkrut, representative of Ernst & Young presented a study on "Reducing the Informal Economy in Albania through the Use of Electronic Payment Instruments". The study aimed to measure the quantifying of the informal economy and identifying the costs that the Albanian economy bears on this phenomenon. Also, the study forecasted suggestions towards promoting of electronic payments in the Albanian economy, aiming to reduce informality in this regard by proposing incentives for different economic actors/stakeholders. Also, as an important component of incentive mechanisms related to fiscal relief/easement, the study envisioned scenarios regarding government costs

in the short run as well as long-term benefits. At the conclusion of Mr. Rozkrut's presentation, the expert of the World Bank Ms. Maria Do Ceu Da Silva Pereira, knowing better the Albanian context from several years of experience with the Bank of Albania, proposed adapting some recommendations in the Albanian context. Also Mr. Holti Banka, representative of the World Bank, as the author of the study on “The costs of retail payment instruments in Albania” made some suggestions on how to measure the costs of payment instruments and cash, thus presenting another side of the costs that these instruments carry on the Albanian economy as a whole.

This session continued with the presentation of Ms. Ledia Bregu, Head of Department of Payment Systems, Accounting and Finance at the Bank of Albania, on the study of the costs of card transactions in Albania and the needs for intervention. During her presentation Ms. Bregu underlined that based on the analysis so far, it results that the card payment market reflects a limited activity reflecting a low number of the Albanian population that owns bank cards and uses them as a means of payment. This development, beyond other factors such as education and financial inclusion, is also linked with another limited infrastructure of card acceptance in the Albanian market (POS possession by merchants). Furthermore, Ms. Bregu emphasized that the results of the analysis of the costs that the Albanian merchants carry from accepting card payments is very high; also the interchange fees and costs of processing cards as an integral component are high compared to European practices. In view of the above, the need for a more in-depth analysis of alternatives to intervention was emphasized.

At the conclusion of this presentation, bank representatives discussed that they were aware of the inefficiencies of the card market, but estimated that these developments were influenced also by factors other than merchants costs.

In assessing these discussions, the Chair of the Committee proposed the establishment of a working group in order to analyze the costs of cards in the Albanian market and identify the need for intervention to increase the efficiency of this instrument and consequently their use in the Albanian economy.

The second session of the meeting concluded with comment of Ms. Nevila Repishti on the recent development of AKSHI as a key institution in the digitalization of the government services, but also from the point of view of the services provided by this institution for the implementation of the electronic signature.

The third session of the meeting of NPSC continued with discussions and presentations related to the latest developments in the field of Financial Education. This session was opened by the Chair of Albanian Association of Banks (ABA), Mr. Silvio Pedrazzi, who emphasized the up-to-date contribution of banking system in the financial education. However, Mr. Pedrazzi underlined that it is necessary to have a broad contribution from all stakeholders in this regard. The Chair of ABA also confirmed the commitment of the banking system to these national initiatives.

The session of financial education continued with a presentation held by Mr. Altin Tanku, who brought the attention of the participants on the importance of the financial education of the population, as well as summarized the measures taken by the Bank of Albania in this field.

At the end of this session, Ms. Edlira Dashi expert of the World Bank presented the experience and results of the project Greenback 2.0. in the city of Berat.

In the conclusions of this session, the Chair of the NPSC, Ms. Minxhozi emphasized the importance of financial education in achieving the intended objectives of the reforms undertaken in the field of payments and beyond. In this regard, Ms. Minxhozi underlined the need of drafting a National Strategy for Financial Education, as well as the need of coordinating the actions of all actors involved.

For this purpose, Ms. Minxhozi proposed the creation of a Task Force with a comprehensive framework for the development of a National Strategy for Financial Education.

At the end of the meeting, based on the discussions generated during the sessions, the Committee Chair recommended the establishment of several working groups, with the aim of taking concrete action on the issues raised at the meeting, in relation to financial education, the digitalization of government payments, as well as analyzing the costs of card payments in the Albanian market.

In support of this Committee's strategic objective of modernizing low value payments, the 5th meeting concluded with a special section where various market players presented some of the latest initiatives in the payment market.

Recommendations of the fifth meeting of the National Payment System Committee.

Establishment and implementation of the objectives set forth in the strategy in relation to the creation of:

- a) Task Force with a comprehensive framework for drafting a National Strategy for Financial Education.
- b) Working Group to support the further digitalization and automation of government payments based on the findings and recommendations identified by the World Bank study.
- c) Working Group in order to analyze the costs of cards in the Albanian market and identify the needs for intervention in order to increase the efficiency of this instrument and consequently their use in the Albanian economy.

Participation in the meeting.

Invited to the Fifth Meeting of the NPSC		
Institution	Name of Member	Position
Bank of Albania	Mr. Gent Sejko	Guvernor
Ministry of Finance and Economy	Ms. Anila Denaj	Minister
Directorate General of Taxation	Ms. Delina Ibrahimaj	Director General
Bank of Albania	Mr. Altin Tanku	Director of Research Department
World Bank	Ms. Maria Do Ceu Da Silva Pereira,	
World Bank	Mr. Holti Banka,	
World Bank	Ms. Edlira Dashi	
Mastercard	Ms. Silvia Hadzhiyaneva	
Ernst & Young	Mr. Marek Rozkrut, Ms. Anisa Jasini	

Members and participants on 5th meeting of NPSC			
Institucioni	Name of Member	Status in NPSC	Represented in case of absence
Bank of Albania	Ms. Luljeta Minxhozi,	Chair	

	First Deputy Governor		
Albanian Association of Banks	Mr. Silvio Pedrazzi, Chair of Albanian Banking Association	Member	
National Agency of Information Society	Ms. Mirlinda Karcanaj, Director General	Member	Ms. Nevila Repishti
Financial Supervisory Authority	Mr. Ervin Koçi, CEO	Member	Mr. Niko Kotonika Ms. Fjoralba Soukis Ms. Ornela Kullolli
Bank of Albania	Ms. Ledia Bregu, Director, Department of Payment System, Accounting and Finance	Member	
Bank of Albania	Mr. Deniz Deralla, Director, Supervision Department	Member	
Bank of Albania	Mr. Donald Duraj, Chief of Staff	Member	
Albanian Association of Banks	Ms. Najada Xhaxha, Chair of Payments Committee at the Albanian Banking Association	Member	
Paylink	Ms. Eneida Thomaj, Director General	Member	Mr. Admirim Ymeri
Financial Union	Mr. Elton Çollaku, Director General	Member	
Easy Pay	Ms. Linda Shomo Director General	Member	Ms. Stela Shkodrani
MPay	Mr. Ludovic Laventure, Director General	Member	Ms. Erinda Kapllani, Ms. Elda Kuka
AK-Invest	Mr. Ilir Adili Director General	Member	Ms. Odeta Ferro, Mr. Geis Ceku
Albanian Association of Banks	Mr. Spiro Brumbulli	Secretariat	Ms. Junida Katroshi Ms. Eftali Peçi
Bank of Albania	Ms. Valentina Semi DSPKF	Secretariat	
Other participants			
Helvetas	Mr. Andi Stefanllari		
Procredit Bank	Ms. Enkeleda Gremshi, Ms. Akile Cernobregu.		
Raiffeisen Bank	Mr. Almir Zeneli, Ms. Eltjona Gjondedaj Mr. Arian Berberi.		
OTP Bank	Mr. Ardian Hasa, Mr. Igli Kasneci.		

UBA Bank	Mr. Ermal Husha, Mr. Ardian Guza, Ms. Tereza Brakaj.		
Alpha Bank	Mr. Ilir Prifti		
Fibank	Ms. Elma Lloja, Ms. Ines Vucini.		
Union Bank	Ms. Suela Bokshi		
Credins Bank	Mr. Dimitri Toslluku, Ms. Suela Cela.		
Tirana Bank	Mr. Bledar Kumanova		
ABI Bank	Ms. Brunilda Jakovi, Ms. Odeta Paloka, Ms. Majlinda Miho.		
Bank of Albania	Mr. Valer Miho, Ms. Edlira Hoxha, Ms. Armida Isakaj, Ms. Arlinda Kolenico.		